

LEXCO

A Utah Corporation

Mining and Mineral Exploration
P.O. Box 1198
582 North Vernal Avenue
Vernal, Utah 84078
435-789-5361
435-545-2477

cc: Paul cover
Beth
RECEIVED
JUL 12 2006
DIV. OF OIL, GAS & MINING

July 10, 2006

Susan White
DOGM
P.O. Box 145801
Salt Lake City, Ut 84114

Dear Ms. White:

Lexco Inc. is the holder of federal Gilsonite lease UTU-72699, and operates under Utah DOGM # M/047/064.

Lexco Inc. has submitted an amended mine plan to BLM which has resulted in a BLM decision to increase our reclamation bond amount to \$110,000.00.
Lexco Inc. has submitted and BLM has accepted a five year \$130,000.00 US Treasury note to satisfy this bond requirement.

Although Utah DOGM is not named on the bond, BLM and DOGM have been actively discussing options to satisfy DOGM requirements.
Therefore, Lexco Inc. respectfully requests that DOGM accept the bonding that we have placed with BLM while the agencies work out a satisfactory resolution.

Sincerely,


James M. Lekas
Lexco Inc.

JL/bd

enclosures

Cc: Paul Baker DOGM ✓



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

National Business Center

P.O. Box 25047

Denver Federal Center, Building 50

Denver, Colorado 80225-0047

June 2, 2006

Ms. Leslie Green
Collateral Monitoring Unit
Federal Reserve Bank of St. Louis
PO Box 14915
St. Louis, MO 63178

Dear Ms. Green:

The Federal Reserve Bank of St. Louis is an authorized depository for certain securities as provided in 31 CFR 225 (Circular 154). I warrant that I am the Negotiable Securities Manager for the Bureau of Land Management. Our account number is _____.

I anticipate that the following U.S. Treasury Note will be deposited with you by Wells Fargo Brokerage Services, LLC, (ABA Number _____), 299 South Main Street, 5th Floor, Salt Lake City, UT 84111. Attention: Tom Degenaars (801) 246-1746. This security is held on behalf of Lexco, Inc., P.O. Box 1198, 582 North Vernal Avenue, Vernal, UT 84078, Attn: James M. Lekas, (435) 789-5361. Account # _____ should be referenced for interest payments. Please accept the following security:

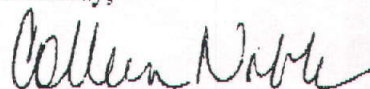
CUSIP Number:	
Maturity Date:	04/30/2011
Interest Rate:	4.875%
Amount:	\$130,000.00

The pledgee of this security is:

United States Department of the Interior
Bureau of Land Management
P.O. Box 25047
Denver, CO 80225-0047
Account: SI24

If you have any questions, please call me at (303) 236-6341.

Sincerely,



Colleen Noble
Negotiable Securitits Manager

Copy:

James M. Lckas, Lexco, Inc., P.O. Box 1198, 582 North Vernal Avenue, Vernal, UT 84078

Tom Degenars, Wells Fargo Brokerage Services, LLC, 299 South Main Street, 5th Floor, Salt Lake City, UT 84111

Bill Buge, Bureau of Land Management, Utah State Office (UT-923)

**Federal Reserve Bank of St. Louis
Amount to be Collateralized Change Form**

Security Account Name: LEXCO, INC. Date: 06/02/2006

Security Account Number: _____

Account Holder Name: BUREAU OF LAND MANAGEMENT

ABA Number: _____

Current Amount to be Collateralized (Par Value): \$.00

New Amount to be Collateralized (Par Value): \$130,000.00

Effective Date: 06/02/2006

Agreement and Authorization

The Bond Official submitting this form hereby agrees to communicate all instructions regarding the account or the collateral to the Federal Reserve Bank of St. Louis, which will receive and authenticate the bond official's instructions regarding the collateral. Further, the bond official hereby authorizes the other Federal Reserve Banks acting as custodians to act upon the instructions of the Federal Reserve Bank of St. Louis with regard to the collateral and relieves them from liability for properly acting in accordance with Federal Reserve Bank of St. Louis' instructions or for failing to act on the instruction of the Bond Official.

The Bond Official hereby authorizes and instructs the Federal Reserve Bank of St. Louis to release, or cause another Federal Reserve Bank to release, collateral held in excess of the amount to be collateralized stated on this form on request of the account holder. The Bond Official may revise this instruction by submitting this form with a new amount to be collateralized at any time and such new instruction will be effective upon receipt and authentication by the Federal Reserve Bank of St. Louis.

Authorized Signature: _____

Authorization (Please Print): COLLEEN NOBLE

Please contact COLLEEN NOBLE for callback verification.

**Federal Reserve Bank of St. Louis
Internal Use Only**

Received by:

Confirmed by:

Name: _____

Name: _____

Time: _____

Time: _____



United States Department of the Interior



BUREAU OF LAND MANAGEMENT

Utah State Office
P.O. Box 45155
Salt Lake City, UT 84145-0155
<http://www.blm.gov>

IN REPLY REFER TO:
3504
UTU-72699
(UT-923)

JUN 30 2006

CERTIFIED MAIL – Return Receipt Requested

DECISION

Lexco, Inc.
P. O. Box 1198
Vernal, UT 84078

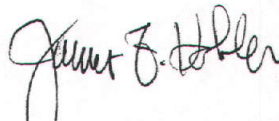
: Gilsonite Lease
: UTU-72699
:
:

Bonds Released

Lexco, Inc. currently has on file with the Utah State Office of the Bureau of Land Management three cash lease bonds in the amount of \$38,500 to cover gilsonite lease UTU-72699. \$36,000 of the cash bonds have been Treasury Notes that have matured and the proceeds have been placed in the Bureau of Land Management's suspense account.

On June 26, 2006 The Bureau accepted a \$130,000 treasury note in lieu of surety bond that was filed with the Bureau's National Business Center on June 3, 2006. The request for release of these bonds has been approved by the Utah State Office and the Vernal Field Office.

Therefore the proceeds from these three bonds will be returned by electronic transfer to Lexco, Inc. If you have further questions please contact Bill Buge at (801) 539-4086.


James F. Kohler
Chief, Branch of
Solid Minerals

cc: Accounts
Vernal Field Office
Colleen Noble, Negotiable Securities Manager, Bureau of Land Management, National Business Center, P. O. Box 25047, Denver Federal Center, Building 50, Denver, CO 80225-0047

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Serial Number

UTU-72699

Bond Number

PERSONAL BOND* AND POWER OF ATTORNEY
UNDER ☒ MINERAL LEASE OR ☐ PROSPECTING PERMIT
FOR MINING DEPOSITS

Office

UTAH STATE OFFICE

GILSONITE

KNOW ALL MEN BY THESE PRESENTS, That LEXCO INC., P.O. BOX 1198
VERNAL, UTAH 84078, as obligor, is held and
firmly bound unto the United States in the sum of ONE HUNDRED AND THIRTY THOUSAND dollars,
(\$ 130,000.00), lawful money of the United States, for the payment of which, well and truly to be made, he binds
himself, his heirs, executors, administrators, and successors, jointly and severally, firmly by these presents.

The conditions of this obligation are such, that whereas the above-named obligor entered into a mineral lease or pros-
pecting permit of the lands described therein upon conditions therein expressed, which mineral lease or prospecting
permit bears the above serial number.

NOW, THEREFORE, if the said obligor, his heirs, executors, administrators, or successors, shall faithfully carry out
the obligations and observe the requirements of said mineral lease or prospecting permit and shall duly keep, perform,
and abide by each and every term and provision of said mineral lease or prospecting permit as therein stipulated and
agreed, then this obligation shall be null and void; otherwise to remain in full force and effect.

That said obligor, in order the more fully to secure the United States in the payment of the aforesaid sum, hereby
pledges cash as security therefor or negotiable bonds of the United States, of a par value equal to the amount specified,
which said bonds are numbered serially and are in the denominations and amounts and are otherwise more particularly de-

scribed as follows: bonds of \$, bearing percent interest, with

coupons attached to each numbered

\$130,000.00 PAR VALUE U.S. TREASURY NOTE
CUISP# 912828 FD7
4 7/8 % INTEREST

which said bonds have been deposited with the Secretary of the Interior.

* This form of bond may be used in connection with phosphate, and sodium mineral leases or prospecting permits, Act of February 25, 1920, as amended (30 U.S.C. 181 *et seq.*); potassium mineral leases or prospecting permits, Act of February 7, 1927, as amended (30 U.S.C. 281 *et seq.*); sulphur mineral leases or prospecting permits, Act of April 17, 1926, as amended (30 U.S.C. 271 *et seq.*); all such mineral leases or prospecting permits involving acquired lands, Act of August 7, 1947, (30 U.S.C. 351), and asphalt mineral leases or prospecting permits, Act of June 28, 1944, as amended (25 U.S.C. 561-562), by inserting the particular mineral applicable in the space provided therefor. This form is for use where the mineral lease or prospecting permit covers either public lands or lands embraced in an entry or patent subject to the reservation of potassium, phosphate, or sodium deposits to the United States under the Act of July 17, 1914 (30 U.S.C. 121-123); pursuant to the Act of June 22, 1910 (30 U.S.C. 83-85), pursuant to the Act of March 8, 1922 (48 U.S.C. 376-377); or of sulphur pursuant to the Act of March 4, 1933 (30 U.S.C. 124). If this bond is executed by a corporation, it must bear the corporate seal.

That the said obligor does hereby constitute and appoint the Secretary of the Interior as his attorney, for him and in his name to collect or to sell, assign, and transfer the said cash or United States bonds above-described and deposited by the obligor, as aforesaid, pursuant to authority conferred by section 1 of the Act of July 30, 1947 (61 Stat. 646; 6 U.S.C. 15), as security for the faithful performance of any and all of the conditions or stipulations as hereinbefore set out, and it is agreed that, in case of any default in the performance of the conditions and stipulations of such undertaking the said attorney must have full power to collect said bonds or any part thereof, or to sell, assign, and transfer said bonds or any part thereof without notice, at

public or private, free from any equity of redemption or without appraisal or valuation, notice and right to redeem being waived, and to apply proceeds of such sale or collection to the full amount of the bond to the satisfaction of any damages, or deficiencies arising by reason of such default, as said attorney may deem best. The interest accruing upon said United States bonds deposited as above stated, in the absence of any default in the performance of any of the conditions or stipulations of the bond, must be paid to said obligor. The said obligor hereby for himself, his heirs, executors, administrators, and successors, ratifies and confirms whatever his said attorney shall do by virtue of these presents.

Signed on this 2 day of JUNE

2006
19, in the presence of:

(Signature of Witness)

(Signature of Obligor)

LEXCO, INC.

(Address of Witness)

(Address of Obligor)

Box 1198 VERNAL, UTAH 84078

LEXCO

A Utah Corporation

Mining and Mineral Exploration
P.O. Box 1198
582 North Vernal Avenue
Vernal, Utah 84078
435-789-5361
435-545-2477

FAX CORRESPONDENCE

DATE: June 01, 2006

COMPANY NAME: BLM

ATTENTION: Colleen Noble

REGARDING: Treasury Note

FROM: James M. Lekas / Lexco Inc.

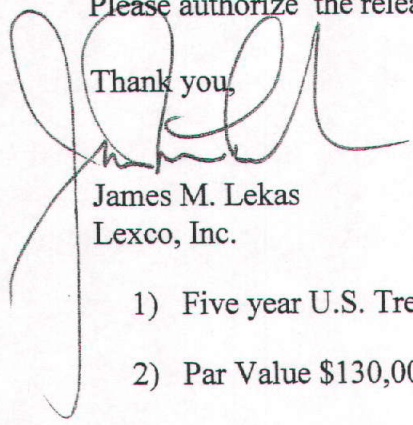
OUR FAX NUMBER: (435) 545-2476

NUMBER OF PAGES (including cover): 1

Lexco Inc. has purchased the following security to replace the two Treasury Notes that have matured and the one that will mature soon.

Please authorize the release of the matured funds to Lexco.

Thank you,


James M. Lekas
Lexco, Inc.

- 1) Five year U.S. Treasury Note
- 2) Par Value \$130,000.00
- 3) 4.875% Interest Rate
- 4) Maturity Date: 04/30/2011
- 5) CUSIP#
- 6) Wells Fargo Brokerage Services, LLC.
- 7) 299 South Main Street, 5th Floor, SLC, UTAH 84111
- 8) ABA#
- 9) Tom Degenars
- 10) 801 246-1746
- 11) Federal Reserve of Saint Louis

Please remit matured funds to :

Lexco, Inc.

Wells Fargo Bank, Vernal Branch

Account# 0623010105

Wire Transfer ABA# 121000248

From: Tom.Degenaars@wellsfargo.com
Subject: Trade report & delivery instructions from Wells Fargo Institutional Brokerage
Date: Wed, May 31, 2006 9:18 pm
To: lexco@ubtanetwb.com

Cusip# : 912828FD7 *Trade Ticket* As of Date : 5/31/2006

TRDR/SLS : TOM DEGENAARS Settlement : 6/1/2006

SELLS : 130 (m) ISSUER : US TREASURY NOTE

Security : US Tsy Note 4 7/8 due 04/30/11

Price : 99-16 Yield: 4.990014 Yield to: 4/30/2011 at 100.00

Principal USD \$129,350.00

Accrued (32 days) \$551.09

Transaction Costs 0.00

Total USD 129,901.09

** THIS TICKET GENERATED BY BLOOMBERG TOMS / POMS SYSTEM **

Thomas Degenaars
Vice President, Institutional Brokerage & Sales
Wells Fargo Brokerage Services, LLC
299 South Main Street, 5th Floor
Salt Lake City, UT 84111
☎ 801-246-1746
☎ 801-246-1705
✉ tom.degenaars@wellsfargo.com

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United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Utah State Office
P.O. Box 45155
Salt Lake City, UT 84145-0155
<http://www.blm.gov>



IN REPLY REFER TO:
3504
UTU-72699
(UT-923)

MAY 24 2006

CERTIFIED MAIL – Return Receipt Requested

DECISION

Lexco, Inc.
P. O. Box 1198
Vernal, UT 84078

: Gilsonite Lease
: UTU-72699
:
:

Bond Increase Required

Lexco, Inc. currently has on file with the Utah State Office of the Bureau of Land Management three cash lease bonds in the amount of \$38,500 to cover gilsonite lease UTU-72699. \$36,000 of the cash bonds have been Treasury Notes that have matured and the proceeds have been placed in the Bureau of Land Management's suspense account.

Regulations at 43 CFR 3504.60 allow for the amount of any bond to be increased/decreased when additional/less coverage is determined to be appropriate. The Utah State Office, in conjunction with the Vernal Field Office, is requiring that your bond for gilsonite lease U-72699 be increased to \$110,000 based on the present production covered by this lease, advance royalty computation and reclamation requirements (see attached).

This bond amount may be increased by either submitting a bond for the difference \$71,500, or by submitting an entirely new bond for the required amount and requesting the return of the current amount held in our suspense account. Enclosed are forms for submitting a new bond. If you do not agree with the bond amount, you must submit written justification to this office clarifying your position for a lesser bond amount.

A compliance period of 30 days from the receipt of this decision will be allowed to submit the above bond.

James F. Kohler
Chief, Branch of
Solid Minerals

Enclosures

1. Bond Cost Estimates
2. Surety Bond Form

cc: State Division of Oil, Gas and Mining
Vernal Field Office